

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of

Steven Bastrom,
Licensee.

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No. D 04-190

**STIPULATION AND ORDER
LEVYING A FINE**

STIPULATION BY AGENT

Steven Bastrom ("Licensee") hereby stipulates to the payment of a fine in the total amount of \$5,000 in lieu of suspension, revocation or non-renewal of his insurance agent's license in the state of Washington, based on the following facts, which are hereby acknowledged. Licensee further stipulates and agrees that he will comply with Washington insurance laws and regulations in the future.

1. In July 2004, the Office of the Insurance Commissioner (OIC) completed an investigation of Licensee's referral of insurance clients to the Resource Development International, Inc. investment program ("RDI").
2. The United States Securities and Exchange Commission ("SEC") described RDI as a "scheme involving the offer and sale of a non-existent 'prime bank' trading program", and identified David and James Edwards as responsible principals. Refer to SEC Litigation Release No. 17635 (July 30, 2002).
3. Licensee acknowledges that David and James Edwards misled him concerning the true nature of the RDI investment and Licensee asserts that he did not know that RDI was a fraudulent scheme.
4. Without admitting any liability, Licensee cooperated with and entered into a settlement agreement with the SEC Receiver pursuant to which Licensee returned amounts he received as a result of marketing the RDI investment.
5. Licensee acknowledges that he negligently referred clients to RDI who lost money they invested in it, and therefore Licensee was a source of injury and loss to the public in violation of RCW 48.17.530(1)(h). Licensee denies that he knowingly did anything fraudulent, willful or with malice.

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6. Licensee stipulates and agrees that any future conduct by the Licensee that falls within any of the grounds for revocation or suspension of licenses enumerated in RCW 48.17.530 will result in permanent revocation of his Washington insurance agent's licenses.

CONCLUSIONS OF LAW

1. Licensee has engaged in practices that are not in accord with the standards set out in the insurance code of Washington. Licensee's negligent referral to RDI, of clients who lost money they invested in it, constitutes a violation of RCW 48.17.530(1)(h) because Licensee was a source of injury and loss to the public.

2. In determining an appropriate assessment for any violations, the OIC may consider various pertinent factors such as: Licensee's lack of previous violations; Licensee's cooperation with and return of RDI commissions to the SEC Receiver; Licensee's referral of close family relatives to RDI which supports the conclusion that Licensee was negligent but did not knowingly act fraudulently, willfully or with malice with regard to RDI; Licensee's commitment to refrain from all future securities sales and securities referral activity; and the amount of assessment reasonably likely to deter a future violation.

3. RCW 48.17.560 authorizes the Insurance Commissioner to impose a fine in lieu of the suspension or revocation of an agent's license and the OIC is authorized under RCW 34.05.060 to resolve this matter through this Order.

ORDER

Under RCW 48.17.560, the OIC has offered a settlement to resolve this matter. Licensee hereby waives his right to a formal hearing under the Washington State Administrative Procedure Act (RCW 34.05), notice thereof, and any judicial challenge to the OIC's actions related to the subject matter of this Order, consents to the entry of this Order, admits to the foregoing findings of fact and conclusions of law, and acknowledges his duty to comply fully with the applicable laws of the State of Washington.

By agreement of the parties, the OIC will not take any other action to discipline Licensee in this matter and will not recommend enforcement or disciplinary action by any other governmental agency in connection with this matter, other than as set forth below:

1. Licensee acknowledges his obligation to comply fully with all applicable laws and regulations of the State of Washington. The Insurance Commissioner has offered a settlement in lieu of suspending, revoking, or non-renewing the insurance agents license held by Licensee in the state of Washington.

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2. Accordingly, Licensee enters into this Stipulation and the following Order imposing a fine voluntarily and with the understanding that such fine is in lieu of any suspension, revocation, or non-renewal of the licensee's license for such conduct. Licensee also understands and stipulates that the facts described above, and the fact of this stipulation, may be considered by the Commissioner in any unrelated future administrative actions regarding the Licensee should he violate any provisions of the insurance code of Washington in the future.

3. By agreement of the parties, pursuant to RCW 48.17.560, the Commissioner will impose a fine of \$5000 on Licensee in lieu of suspension, revocation, or non-renewal of his insurance agents license in the state of Washington, upon condition that so long as said license remains active:

(a). Licensee shall not sell and he shall not apply for or obtain any license to sell, any securities products including but not limited to variable annuity products, in the state of Washington or to any resident of the state of Washington; and that,

(b). Licensee shall not solicit, promote, or recommend to any of his insurance clients, the examination of, investment in, or purchase of, any security; and that,

(c). Licensee shall not refer any of his insurance customers or clients to any person that Licensee knows will solicit, promote, or recommend to any of his insurance clients, the examination of, investment in, or purchase of, any security; and that,

(d). Licensee shall not authorize any individual to utilize his customer list for the purpose of soliciting, promoting, or recommending any investment or purchase of any security.

4. The restrictions set forth in section 3(c) and (d) of this Order are not intended to restrict lawful and authorized use of customer information by licensed insurance carriers to which Licensee is appointed.

5. In the event that Licensee fails to pay the \$5000 fine within 30 days of the entry of this order, the Attorney General of the State of Washington reserves the right bring a civil action on behalf of the Insurance Commissioner for the entire amount of the fine, and the Insurance Commission shall have the right to suspend, revoke or non-renew Licensee's Washington insurance agent's license for failure to pay the aforementioned, agreed fine.

EXECUTED and AGREED this 31st day of August, 2004

STEVEN BASTROM

Licensee.

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ENTERED AT TUMWATER, WASHINGTON, This 2nd day of September, 2004.

MIKE KREIDLER

INSURANCE COMMISSIONER

By: SCOTT JARVIS

Deputy Commissioner

Examiner: Thomas Talarico